

India

ADD (no change)

Consensus ratings*: Buy 27 Hold 2 Sell 0

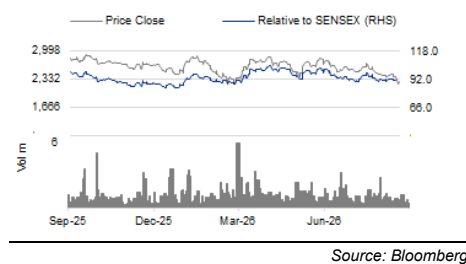
Current price: Rs2,415
 Target price:  Rs3,200
 Previous target: Rs3,200
 Up/downside: 32.5%
 InCred Research / Consensus: 5.8%

Reuters:
 Bloomberg: HDFCAMC IN
 Market cap: US\$10,901m
 Rs1,036,212m
 Average daily turnover: US\$26.7m
 Rs2534.3m
 Current shares o/s: 428.3m
 Free float: 46.2%

*Source: Bloomberg

Key changes in this note

- We marginally tweak revenue yield and opex estimates to incorporate recent updates.



Price performance	1M	3M	12M
Absolute (%)	1.8	(7.2)	(16.8)
Relative (%)	1.8	(3.6)	(6.5)

Major shareholders	% held
HDFC Bank	52.3
NPS Trust	2.9
ICICI MF	2.9

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HDFC AMC

Consistent yields; attractive valuation

- 2QFY27 PAT stood at Rs7.5bn, missing our estimate, due to lower-than-expected treasury gains partly offset by higher yields.
- Revenue yield inched up 1bp QoQ to 47bp, supported by a favourable AUM mix. Core PBT beat estimate, driven by higher yields and lower opex.
- Stable yields support the outlook; we remain watchful on inflow market share. Attractive valuation at a 14% discount to peers; retain ADD with a Rs3,200 TP.

PAT down on lower treasury gains partly offset by higher yields

HDFC AMC reported 2QFY27 PAT of Rs7.5bn, up 4% YoY but down 11% QoQ, missing our estimate, due to lower-than-expected treasury gains. Core PBT beat our estimate at Rs9bn, up 10% QoQ and 16% YoY, supported by a 1bp QoQ rise in yields to 47bp led by a favourable AUM mix, with equity funds' share rising to 63% from 61% QoQ, and lower opex due to lower CSR expenses.

QAAUM grows ~10% YoY & 4% QoQ to Rs9.7tr; favourable AUM mix

QAAUM grew by ~10% YoY and 4% QoQ to Rs9.7tr, led by healthy growth in equity QAAUM. Overall QAAUM market share declined, for the second consecutive quarter, by 10bp QoQ to 11.1%. Active equity funds' market share fell 10bp QoQ & 20bp YoY to 12.7%, reflecting some softness in net flows for select schemes, while debt funds' market share rose by 10bp QoQ but declined 20bp YoY to 13%. Equity QAAUM grew by 14% YoY & 6% QoQ, largely supported by Mark-To-Market (MTM) gains, as there was some softness observed in net flow market share for select schemes. SIP/STP inflows remained flat over Jun 2026 but grew by 6% YoY to Rs48bn, while SIP AUM remained flat QoQ at Rs2.3tr. Debt fund AUM declined 2% YoY and 13% QoQ. Among Alternative Investment Funds (AIFs), PMS AUM stood at Rs6.9tr, including Rs71bn of non-discretionary assets, with the company commencing management of Employees Provident Fund Organisation and Seamen's Provident Fund Organisation mandates worth Rs6.8tr, up from Rs50bn QoQ. AIF commitments stood at Rs40bn, highlighting its growing focus on the non-MF segment.

Lower opex led by a decline in CSR expenses

Employee expenses declined by 1% QoQ and rose 14% YoY due to sequentially lower ESOP expenses, with the headcount remaining flat. Other operating expenses fell 8% QoQ and 6% YoY, primarily due to lower CSR expenses.

Outlook and valuation - compelling valuation, maintain ADD rating

HDFC AMC continues to maintain consistent leadership in equity and equity-oriented schemes. It is noteworthy how the company continued to maintain stable yields through a favourable mix and selective rationalisation of distribution payouts. We remain watchful on inflow share and market share movement; maintain ADD rating on the stock with a stable target price of Rs3,200, valuing it at 37x FY28F core EPS. The stock remains attractive, trading at a ~14% valuation discount to larger peers. Downside risks: Slower inflow and yield pressure.

Financial Summary	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	40,583	46,173	53,669	63,586	74,818
Operating Revenue (Rsm)	40,583	46,173	53,669	63,586	74,818
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	24,611	28,594	32,918	39,506	47,087
Core EPS (Rs)	115.43	66.76	76.86	92.24	109.94
Core EPS Growth	26%	(42%)	15%	20%	19%
FD Core P/E (x)	20.92	36.17	31.42	26.18	21.97
DPS (Rs)	45.00	44.00	63.00	77.00	95.00
Dividend Yield	1.86%	1.82%	2.61%	3.19%	3.93%
BVPS (Rs)	381.5	215.5	239.4	268.6	301.1
P/BV (x)	6.33	11.21	10.09	8.99	8.02
ROE	32.4%	32.9%	33.8%	36.3%	38.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary (Rs m)

Particulars (Rs m)	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27	YoY (%)	QoQ (%)
Revenue from operations	10,260	10,743	10,505	10,985	11,689	13.9%	6.4%
Total revenue (Rs m)	11,219	12,332	10,617	13,611	12,399	10.5%	-8.9%
Total expenditure	2,463	2,186	2,277	2,708	2,621	6.4%	-3.2%
Cost-to-income (%)	22.0%	17.7%	21.5%	19.9%	21.1%		
Profit before tax	8,756	10,146	8,339	10,903	9,777	11.7%	-10.3%
Tax	1,575	2,445	2,107	2,519	2,279	44.7%	-9.5%
Tax rate (%)	18.0%	24.1%	25.3%	23.1%	23.3%		
Profit after tax	7,181	7,701	6,233	8,384	7,498	4.4%	-10.6%
Core profit	7,797	8,556	8,228	8,277	9,068	16.3%	9.6%
QAAUM (Rs tr)	8.8	9.2	9.3	9.4	9.7	10.0%	3.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision summary

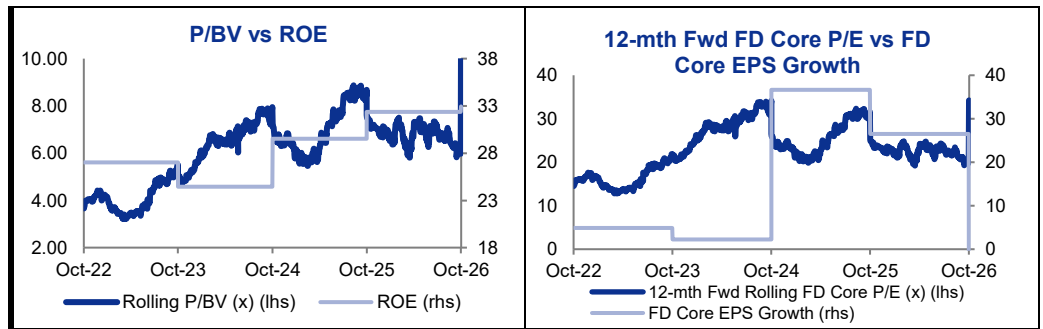
Y/E Mar (Rs m)	FY27F			FY28F			FY29F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
Revenue from operations	46,865	47,317	1.0%	54,813	56,146	2.4%	65,747	66,591	1.3%
PAT	33,887	32,918	-2.9%	38,984	39,506	1.3%	48,469	47,087	-2.9%
EPS (Rs)	79	77	-2.9%	91	92	1.3%	113	110	-2.9%
Dividend payout (%)	82%	82%	0.0%	84%	84%	0.0%	1	86%	0.0%
QAAUM (Rs tr)	10	11	1.8%	12	13	2.1%	15	15	-0.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY27 earnings-call highlights ►

- Equity fund yields stood at 58bp (61bp for active equity schemes), debt fund yields at 28-29bp and liquid fund yields at 13bp.
- ESOP cost guidance at Rs790-800m for FY27F.
- AIF yields stood at 80-90bp.
- The company launched two AIFs during the quarter: Select Opportunities Fund and a Category III fund investing in listed securities.
- Company is expanding into SIFs with senior portfolio management hires; product launches scheduled over the next one-to-two quarters.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Net Interest Income					
Total Non-Interest Income	40,583	46,173	53,669	63,586	74,818
Operating Revenue	40,583	46,173	53,669	63,586	74,818
Total Non-Interest Expenses	(7,718)	(9,071)	(10,773)	(12,072)	(13,485)
Pre-provision Operating Profit	32,864	37,102	42,896	51,515	61,333
Total Provision Charges					
Operating Profit After Provisions	32,864	37,102	42,896	51,515	61,333
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	32,864	37,102	42,896	51,515	61,333
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	32,864	37,102	42,896	51,515	61,333
Exceptional Items					
Pre-tax Profit	32,864	37,102	42,896	51,515	61,333
Taxation	(8,254)	(8,508)	(9,977)	(12,009)	(14,247)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	24,611	28,594	32,918	39,506	47,087
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	24,611	28,594	32,918	39,506	47,087
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	0.1%	0.2%	0.2%	0.2%	0.2%
Avg Liquid Assets/Avg IEAs					
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Total Gross Loans					
Liquid Assets & Invst. (Current)					
Other Int. Earning Assets					
Total Gross Int. Earning Assets					
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets					
Intangible Assets					
Other Non-Interest Earning Assets	2,607	3,044	3,010	3,073	3,089
Total Non-Interest Earning Assets	4,421	5,606	3,484	3,648	3,789
Cash And Marketable Securities	128	242	205	222	240
Long-term Investments	82,889	93,962	110,270	128,783	144,453
Total Assets	87,437	99,810	113,959	132,654	148,482
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	6,195	7,411	11,491	17,664	19,655
Total Liabilities	6,195	7,411	11,491	17,664	19,655
Shareholders Equity	81,341	92,311	102,542	115,064	128,951
Minority Interests					
Total Equity	81,341	92,311	102,542	115,064	128,951

Key Ratios

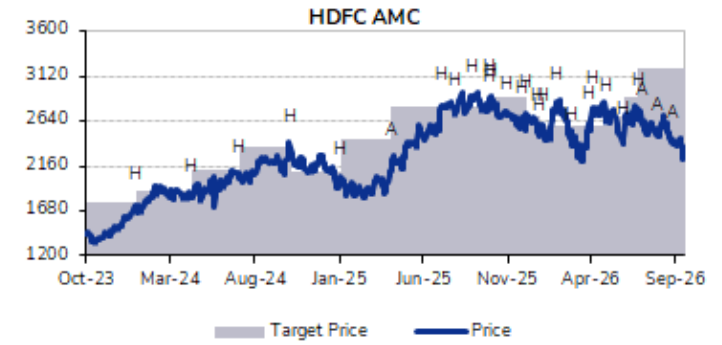
	Mar-25A	Mar-26A	Mar-27F	Mar-28F	Mar-29F
Total Income Growth					
Operating Profit Growth	32.6%	12.9%	15.6%	20.1%	19.1%
Pretax Profit Growth	33%	13%	16%	20%	19%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	25.1%	22.9%	23.3%	23.3%	23.2%
Net Dividend Payout Ratio					
Return On Average Assets	30.21%	30.54%	30.80%	32.04%	33.50%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
12-Oct-26	Add	3,200	0.0
6-Oct-26	Add	3,200	0.0
10-Sep-26	Add	3,200	0.0
11-Aug-26	Add	3,200	0.0
15-Jul-26	Add	3,200	10.3
7-Jul-26	Hold	2,900	7.4
11-Jun-26	Hold	2,700	3.8
11-May-26	Hold	2,600	-3.7
17-Apr-26	Hold	2,700	3.8
9-Apr-26	Hold	2,600	0.0
10-Mar-26	Hold	2,600	0.0
10-Feb-26	Hold	2,600	0.0
15-Jan-26	Hold	2,600	-3.7
9-Jan-26	Hold	2,700	0.0
5-Jan-26	Hold	2,700	-6.9
15-Dec-25	Hold	2,900	0.0
11-Dec-25	Hold	2,900	0.0
12-Nov-25	Hold	2,900	0.0
16-Oct-25	Hold	2,900	3.6
13-Oct-25	Hold	2,800	0.0
11-Oct-25	Hold	2,800	0.0
10-Sep-25	Hold	2,800	0.0
11-Aug-25	Hold	2,800	0.0
18-Jul-25	Hold	2,800	14.3
18-Apr-25	Add	2,450	16.7
15-Jan-25	Hold	2,100	-11.6
16-Oct-24	Hold	2,375	11.8
16-Jul-24	Hold	2,125	11.8
20-Apr-24	Hold	1,900	7.0
12-Jan-24	Hold	1,775	

Recommendation History Chart



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CIN: U74999MH2018PTC305048.

Recommendation Framework

Stock Ratings

Definition:

Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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